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**1995 - 1996
ANNUAL
REPORT**

CANADIANA

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**ALBERTA
DAIRY
CONTROL
BOARD**

Alberta
AGRICULTURE, FOOD AND
RURAL DEVELOPMENT

September 5, 1996

Honourable Walter Paszkowski
Minister of Agriculture
208 Legislature Building
Edmonton, Alberta
T5K 2B6

Dear Sir:

I have the privilege to present to you the Annual Report of the Alberta Dairy Control Board for the year ended March 31, 1996.

Yours truly,

A handwritten signature in dark ink, appearing to read 'James P. Heron', with a stylized flourish at the end.

James P. Heron
Chairman

JPH:mu



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ANNUAL REPORT
of the
ALBERTA DAIRY CONTROL BOARD
for the fiscal year
ended March 31, 1996

CHAIRMAN'S MESSAGE

I am pleased to report on the activities of the Alberta Dairy Control Board for the fiscal year ending March 31, 1996. Financial statements, as audited by the Office of the Auditor General, are presented, along with a summary of our activities.

Implementation of a national special class pooling system, an optional export program, and a national harmonized milk classification system, removal of more interprovincial trade barriers, continued discussions toward a western milk pool, further streamlining of quota policies, and initiation of a complete regulatory review process made 1995/96 an eventful year.

The Alberta dairy industry continued to improve competitiveness through improved processing and distribution. Processors continued to rationalize their business through plant consolidation and specialized processing facilities.

Dairy producers debated many issues including pooling of market returns, the use of special class pooling and competitive market pricing to replace the levy system, increased promotion activities, and the merits of a one-quota system. Industrial milk prices were increased to replace a further reduction of the federal subsidy to maintain producer returns.

It is with regret that Alberta had its first dairy processor failure. As a result, 12 producers did not receive payment for a portion of milk delivered to that processor. This matter has provided the impetus for industry action that reduces producer risk. It also resulted in a regulatory change where processor payment to producers was advanced by five days.

The Dairy Board met the goals established in its three-year business plan. We continue to strive to be the most efficient and service-oriented milk control agency.

It is with great anticipation that we face the challenges of the future. The Alberta dairy industry must create export opportunities, expand product lines, and introduce speciality products

to meet customer needs. We must all strive to further our competitive position in the Canadian food and beverage industry.

On behalf of the Dairy Board members, a sincere thank you to management and staff for their dedicated service to the dairy industry and their commitment to excellence. I thank Minister Paszkowski and his government colleagues for the support and encouragement provided over the past year.

J.P. Heron, Chairman
Alberta Dairy Control Board

ALBERTA DAIRY CONTROL BOARD

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ALBERTA DAIRY CONTROL BOARD

PAST CHAIRMEN

Stewart Thomas	1968 - 1977
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Jim Gylander	1977 - 1983
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Mike Dordevic	1984 - 1989
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BOARD MEMBERS

James P. Heron	Chairman	Spruce Grove
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Lucille Dougherty	Member	High River
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Thor Andreassen	Member	Stony Plain
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James Hunter	Member	Medicine Hat
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Terry Murray	Member	Wainwright
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Lloyd Johnston	Managing Director	Wetaskiwin
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AUTHORITY AND MANDATE

The Alberta Dairy Control Board is a Crown corporation, operating under the authority of the Dairy Board Act. Its purpose is to control and regulate the sale of milk in Alberta. Board responsibilities cover all three sectors of the dairy industry including fluid milk, industrial milk and cream.

The Board's membership consists of one active dairy producer, a former producer, a former processor, a consumer representative and a full-time chairman. The chairman reports directly to the Minister of Agriculture, Food and Rural Development. Nine full-time staff members administer dairy policy within Alberta.

The Chairman of the Alberta Dairy Control Board is a signatory to the Comprehensive Milk Marketing Plan (the National Milk Marketing Plan governing the production of industrial milk in Canada). The Board has accepted the responsibility of administering market share quota, collecting levies and remitting them for Alberta producers. James Heron, Chairman, represents Alberta on the Canadian Milk Supply Management Committee (CMSMC). The CMSMC makes recommendations to the Canadian Dairy Commission on balancing milk production with domestic and export demand.

Dairy policies are developed to ensure that producers and processors of milk and cream have an opportunity to receive a fair return for their labour and investment. Providing consumers with a continuous supply of high-quality dairy products at reasonable prices is a primary objective.

The Board is responsible for setting the producers' price for industrial milk. By authority of the Dairy Board Act, the Energy and Utilities Board sets the producer farm gate price for class 1 milk.

REPORT ON OPERATIONS

The Alberta Dairy Control Board is financed by a producer assessment of \$0.02 per kilogram butterfat, a processor assessment of \$0.01 per kilogram butterfat, and a government contribution to administrative costs of \$162,000.

Honorarium and expenses were paid to citizen members of the Alberta Dairy Control Board, producer members of the Policy Committee and Alberta representatives to the Canadian Milk Supply Management Committee.

Dairy promotion and nutritional education activities are funded through producer assessments. Funds are collected by the Board and forwarded to Alberta Milk Producers' Society and to Dairy Nutrition Council under the terms of the agreements.

The Alberta Dairy Control Board represented Alberta producers, processors, consumers and government through participation in international, national and provincial activities. Refinement to the national supply management system to meet our international obligations and western milk pooling negotiations consumed considerable time and resources.

The Dairy Board Act, regulations and policies were successfully administered. Audit activities were performed in a manner that ensured accurate producer payment. A producer milk equalization pool operated by the Board commenced the twenty-first year.

Cooperation from all sectors of the dairy industry, agri-business, government departments and agencies made it possible for the Board to carry out its mandate as industry referee and for staff to provide timely and accurate information to clients and stakeholders. A three-year business plan was developed and adopted by the Board. The business plan was dove-tailed with Alberta Agriculture, Food and Rural Development's business plan.

The producer levy system, considered to be a subsidy under the world trade organization

rules, was eliminated. Levies were replaced to some extent by a system of special classes and competitive pricing that resulted in actual market returns paid directly to producers.

Consolidation and plant specialization continued to dominate the processing sector. Twelve producers suffered financial loss when Holgerson Dairies of Smoky Lake declared voluntary bankruptcy. Producer numbers declined by five percent, ending the year at 1,105. Production per cow, production per farm and larger herds resulted in an average daily shipment of 1,417 litres.

Alberta initiated the first Optional Export Program (OEP) contract in Canada. The OEP was negotiated at the national table and provides producers with dual marketing opportunities. Production to OEP is optional to producers, and all the milk components are exported out of Canada at a price determined by the processor/exporter and accepted by the participating producers.

Dairy Board staff are dedicated to provide the best possible service to clients and stakeholders, as demonstrated by the high level of quality service provided during 1995-96. On behalf of the staff, I thank the members of the Dairy Board for their continuous support, good judgement and dedication to the dairy industry. We also thank our industry partners who worked cooperatively with Board staff resulting in a stronger, more competitive Alberta dairy industry.

Respectfully submitted

Lloyd G. Johnston
Managing-Director

ALBERTA DAIRY CONTROL BOARD

FINANCIAL STATEMENTS

MARCH 31, 1996

Auditor's Report

Balance Sheet

Statement of Revenue, Expense and Retained Earnings

Statement of Changes in Financial Position

Notes to the Financial Statements

Schedule of Trust Transactions



ALBERTA LEGISLATURE
OFFICE OF THE AUDITOR GENERAL

AUDITOR'S REPORT

To the Members of the
Alberta Dairy Control Board

I have audited the balance sheet of the Alberta Dairy Control Board as at March 31, 1996 and the statements of revenue, expense and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine

FCA
Auditor General

Edmonton, Alberta
May 31, 1996

ALBERTA DAIRY CONTROL BOARD

BALANCE SHEET

AS AT MARCH 31, 1996

	<u>1996</u>		<u>1995</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	<u>(Note 14)</u>		
<u>ASSETS</u>			
Current:			
Cash	\$ 1,315,255	\$ 1,242,527	\$ 1,348,729
Due from processors, producers and others (Note 3)	1,000,000	411,260	1,117,451
Prepaid expenses	-	-	35
	<u>2,315,255</u>	<u>1,653,787</u>	<u>2,466,215</u>
Capital assets (Note 4)	<u>54,470</u>	<u>50,635</u>	<u>77,492</u>
	2,369,725	1,704,422	2,543,707
Trust assets (Note 5)	<u>3,921,000</u>	<u>2,940,367</u>	<u>3,887,409</u>
	<u>\$ 6,290,725</u>	<u>\$ 4,644,789</u>	<u>\$ 6,431,116</u>

LIABILITIES AND RETAINED EARNINGS

Current:			
Due to processors and producers (Note 6)	\$ 1,000,000	\$ 330,620	\$ 1,177,625
Accounts payable	90,000	92,523	86,346
Due to Province of Alberta	-	-	33,455
Current portion of obligation under capital leases (Note 7)	<u>3,187</u>	<u>3,207</u>	<u>2,861</u>
	1,093,187	426,350	1,300,287
Obligation under capital leases (Note 7)	6,462	9,123	12,510
Pension liability (Note 8)	<u>138,500</u>	<u>143,899</u>	<u>138,034</u>
	1,238,149	579,372	1,450,831
Retained earnings	1,119,883	1,113,246	1,081,183
Quota exchange reserve (Note 9)	<u>11,693</u>	<u>11,804</u>	<u>11,693</u>
	2,369,725	1,704,422	2,543,707
Trust liabilities, Schedule 1	<u>3,921,000</u>	<u>2,940,367</u>	<u>3,887,409</u>
	<u>\$ 6,290,725</u>	<u>\$ 4,644,789</u>	<u>\$ 6,431,116</u>

The accompanying notes and schedule
are part of these financial statements.

ALBERTA DAIRY CONTROL BOARD

STATEMENT OF REVENUE, EXPENSE AND RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 1996

	1996		1995
	Budget	Actual	Actual
	(Note 14)		
<u>REVENUE</u>			
Producer assessments	\$ 420,000	\$ 424,355	\$ 421,542
Processor assessments	210,000	211,652	210,123
Government contribution to administration costs (Note 10)	162,000	162,000	170,903
Gain on disposal of capital assets	-	-	437
	<u>792,000</u>	<u>798,007</u>	<u>803,005</u>
<u>EXPENSE</u>			
Salaries and benefits (Note 11)	485,000	477,287	485,843
Travel and conference fees	130,000	100,343	136,831
General office	40,000	50,394	37,312
Amortization of capital assets	54,800	48,470	43,225
Grants	36,500	37,742	33,899
Investigation (Note 12)	-	25,558	-
Data processing	3,000	22,775	5,510
Bad debts	-	3,375	-
Net quota exchange transfers (Note 9)	-	(111)	8,550
Data processing equipment and software	4,000	-	-
	<u>753,300</u>	<u>765,833</u>	<u>751,170</u>
Excess of revenue over expense for the year	38,700	32,174	51,835
Appropriation from (to) quota exchange reserve (Note 9)	-	(111)	8,550
Net increase in retained earnings	38,700	32,063	60,385
Retained earnings at beginning of year	<u>1,081,183</u>	<u>1,081,183</u>	<u>1,020,798</u>
Retained earnings at end of year	<u>\$ 1,119,883</u>	<u>\$ 1,113,246</u>	<u>\$ 1,081,183</u>

ALBERTA DAIRY CONTROL BOARD

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1996

	1996		1995
	Budget	Actual	Actual
	(Note 14)		
Operating activities:			
Excess of revenue over expenditure for the year	\$ 38,700	\$ 32,174	\$ 51,835
Add (deduct) non-cash charges:			
Amortization of capital assets	54,800	48,470	43,225
Gain on disposal of capital assets	-	-	(437)
Increase in pension liability	466	5,865	527
	93,966	86,509	95,150
Net change in non-cash operating working capital items (Note 13)	(89,940)	(168,057)	92,125
Net cash provided by (applied to) operating activities	4,026	(81,548)	187,275
Investing activities:			
Purchase of capital assets	(37,500)	(21,613)	(16,383)
Proceeds on sale of capital assets	-	-	514
Net cash applied to investing activities	(37,500)	(21,613)	(15,869)
Financing activities:			
Increase (decrease) in obligation under capital leases	-	(3,041)	4,006
Decrease in due from Province of Alberta	-	-	34,376
Net cash provided by (applied to) financing activities	-	(3,041)	38,382
Net increase (decrease) in cash	(33,474)	(106,202)	209,788
Cash at beginning of year	1,348,729	1,348,729	1,138,941
Cash at end of year	<u>\$ 1,315,255</u>	<u>\$ 1,242,527</u>	<u>\$ 1,348,729</u>

ALBERTA DAIRY CONTROL BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1996

Note 1 Authority and Purpose

The Alberta Dairy Control Board (the "Board") operates under the authority of the Dairy Board Act, Chapter D-1, Revised Statutes of Alberta 1980, as amended.

The Board was established to control and regulate the sale of milk in Alberta. Its responsibilities cover all three sectors of the dairy industry including fluid milk, industrial milk and cream.

Note 2 Significant Accounting Policies and Reporting Practices

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Leases transferring substantially all of the benefits and risks of ownership of property are accounted for as acquisitions of capital assets financed by long-term obligations.

Capital assets, other than equipment under capital leases, are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Office furniture and equipment	3 years
Software development	5 years
Computer hardware and equipment	3 and 5 years

Equipment acquired under a capital lease is amortized on a straight-line basis over the term of the lease.

Pension Liability

Pension liability includes the portion of unfunded pension liability for the Public Service Pension Plan and the Management Employees Pension Plan incurred on behalf of the Board's employees.

Pension Plan Expense

Salaries and benefits include employer pension plan contributions made during the year, plus any increase (less any decrease) in the unfunded pension liability and its allocation to participants in the pension plans.

Note 3 Due from Processors, Producers and Others

	<u>1996</u>	<u>1995</u>
Quota exchange	\$337,252	\$1,060,462
Assessments	55,502	54,950
Others	18,506	2,039
	<u>\$411,260</u>	<u>\$1,117,451</u>

Note 4 Capital Assets

	<u>1996</u>		<u>1995</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Software development	\$ 146,719	\$ 134,745	\$ 11,974
Computer hardware and equipment	53,011	26,002	27,009
Equipment under capital leases	18,594	6,942	11,652
	<u>\$ 218,324</u>	<u>\$ 167,689</u>	<u>\$ 50,635</u>
			<u>\$ 77,492</u>

Note 5 Trust Assets (see Schedule 1)

Trust assets comprise:

	<u>1996</u>	<u>1995</u>
Cash	\$ 379,266	\$ 20,902
Due from processors and producers, Schedule 1	2,561,101	3,866,507
	<u>\$ 2,940,367</u>	<u>\$ 3,887,409</u>

Note 5 Trust Assets (see Schedule 1) (continued)

Under the National Milk Marketing Plan, the Board collects levies from processors on behalf of producers and forwards the levies to the Canadian Dairy Commission (the "CDC"), a portion of which may be refunded to producers under certain conditions. During 1995-96, \$2,745,066 was received from CDC, of which \$2,730,146 was refunded to producers. These amounts are included in Amounts received and Amounts paid out, respectively, on Schedule 1.

The Board has an agreement to collect levies for milk promotion, universal assessment, and education on behalf of the Alberta Milk Producers' Society and the Dairy Nutrition Council of Alberta.

Under section 38 of the Dairy Control Board Regulation, 1979, the Board is required to operate a price equalization mechanism whereby all producers receive a fair price for their milk production.

Note 6 Due to Processors and Producers

	<u>1996</u>	<u>1995</u>
Quota exchange	\$330,620	\$1,173,425
Other	<u>-</u>	<u>4,200</u>
	<u>\$330,620</u>	<u>\$1,177,625</u>

Note 7 Obligation Under Capital Leases

The obligation under capital leases consists of the following:

	<u>1996</u>	<u>1995</u>
1996	\$ -	\$ 4,419
1997	4,419	4,419
1998	4,419	4,419
1999	4,419	4,419
2000	<u>1,680</u>	<u>1,680</u>
Total minimum lease payments	14,937	19,356
Less amount representing interest	<u>2,607</u>	<u>3,985</u>
Present value of net minimum lease payments	12,330	15,371
Less current portion	<u>3,207</u>	<u>2,861</u>
Long-term portion	<u><u>\$9,123</u></u>	<u><u>\$12,510</u></u>

The capital leases expire on March 31, 1999 and May 31, 2000. The implicit interest rates payable on these leases are 11.0% and 10.5%.

Note 8 Pension Liability

The Alberta Dairy Control Board participates with other employers in the Public Service and Management Employees' pension plans. These plans provide pensions for the Board's employees based on years of service and earnings.

Note 8 Pension Liability (continued)

The Board had an unfunded pension liability for each plan as at March 31 which was estimated as follows:

	<u>1996</u>	<u>1995</u>
Public Service Pension Plan	\$ 24,021	\$ 23,209
Management Employees Pension Plan	<u>119,878</u>	<u>114,825</u>
	<u>\$143,899</u>	<u>\$138,034</u>

The total unfunded pension liability for each plan as at March 31, 1996 was determined by actuarial valuations as at December 31, 1993 for the Public Service plan and as at December 31, 1994 for the Management Employees plan, both extrapolated to March 31, 1996.

The actuarial valuations were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on each Pension Board's best estimate of future events. Each Plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will be amortized over the expected average remaining service life of the employee group.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan which will be funded by employers. The Board's portion of those employers' liabilities was based on the Board's percentage of the total pensionable payroll of all employers in each Plan.

Note 9 Quota Exchange Reserve

The quota exchange reserve represents surpluses occurring on transfers of quotas and will be used to cover any future quota exchange transaction deficiencies.

	<u>1996</u>	<u>1995</u>
Sales of quota	\$5,360,870	\$8,376,023
Purchases of quota	<u>5,360,759</u>	<u>8,384,573</u>
Net quota exchange transfers, representing appropriation to (from) reserve for the year	111	(8,550)
Reserve at beginning of year	<u>11,693</u>	<u>20,243</u>
Reserve at end of year	<u>\$ 11,804</u>	<u>\$ 11,693</u>

Note 10 Related Party Transactions

Administration costs

In addition to a government grant of \$162,000, the General Revenue Fund of the Province of Alberta bears the cost of the following:

- Administration services, including legal, audit, and personnel services; and
- Accommodation costs, including office space, basic utilities, repairs, maintenance, RITE telephone system, office furniture and certain office equipment. This cost has been estimated at \$19,800 for the 1996 fiscal year.

Licence fee income and interest on cash deposits

Licence fee income, and interest from cash deposits in the Consolidated Cash Investment Trust Fund, are credited directly to the General Revenue Fund of the Province of Alberta.

Note 11 Salaries and Benefits

	1996				1995	
	Number of Individuals	Salaries ⁽¹⁾	Benefits and Allowances ⁽²⁾	Total	Number of Individuals	Total
Chairman of the Board	1.0	\$ 75,400	\$ 12,454	\$ 87,854	1.0	\$ 85,742
Board members	4.0	12,875	-	12,875	4.0	12,690
Policy Committee members	8.0	2,579	-	2,579	8.0	3,583
Managing Director	1.0	64,441	11,340	75,781	1.0	75,074
Senior Business and Financial Analyst	1.0	51,953	10,234	62,187	1.0	61,813
Other salaried staff (average 1996 \$32,379, 1995 \$30,058)	5.7 ⁽³⁾	160,307	24,255	184,562	7.0 ⁽³⁾	210,406
Non-salaried staff ⁽⁴⁾		26,738	2,020	28,758		21,611
Long-term disability staff		-	8,481	8,481		9,279
Vacation pay accrual adjustment		-	8,345	8,345		5,645
Pension costs		-	5,865	5,865		-
		<u>\$ 394,293</u>	<u>\$ 82,994</u>	<u>\$ 477,287</u>		<u>\$ 485,843</u>

- (1) Salaries include regular base pay, bonuses, overtime, lump sum payments, honoraria and any other direct cash remuneration.
- (2) Benefits and allowances includes the Board's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.
- (3) Number of individuals is stated in terms of full-time equivalents.
- (4) Non-salaried staff includes all wage staff and others remunerated on an hourly basis.

Note 12 Investigation Expense

During the year, the Board conducted an investigation into certain non-licensed producers and processors. Criminal charges have been laid against these producers and a processor under the Canadian Dairy Commission Act and the Dairy Board Act.

Note 13 Net Changes in Non-cash Working Capital

Net changes in non-cash working capital comprise:

	<u>1996</u>	<u>1995</u>
Due from processors, producers and others	\$ 706,191	\$ (165,386)
Prepaid expenses	35	(35)
Due to processors and producers	(847,005)	237,057
Due to Province of Alberta	(33,455)	2,265
Accounts payable	<u>6,177</u>	<u>18,224</u>
	<u>\$ (168,057)</u>	<u>\$ 92,125</u>

Note 14 Budget

The 1995-96 budget was approved by the Board of Directors on June 13, 1995.

Note 15 Approval of Financial Statements

These financial statements were approved by management.

ALBERTA DAIRY CONTROL BOARD

SCHEDULE OF TRUST TRANSACTIONS

FOR THE YEAR ENDED MARCH 31, 1996

	1996					1995
	Canadian Dairy Commission	Alberta Milk Producers' Society	Dairy Nutrition Council of Alberta	Universal Check-off	Price Equalization	Total
Trust transactions with processors and producers:						
Amounts received	\$ 13,043,864	\$ 3,931,982	\$ 314,572	\$ 56,175	\$ 9,016,946	\$ 24,573,143
Amounts receivable	908,884	376,115	30,087	57,541	1,188,474	3,866,507
Amounts paid out	(15,596,538)	(4,301,958)	(344,170)	(56,175)	(9,572,841)	(26,644,611)
Net increase (decrease) in trust liabilities	(1,643,790)	6,139	489	57,541	632,579	1,795,039
Trust liabilities at beginning of year	2,872,474	369,976	29,598	-	615,361	2,092,370
Trust liabilities at end of year	\$ 1,228,684	\$ 376,115	\$ 30,087	\$ 57,541	\$ 1,247,940	\$ 3,887,409

BUSINESS PLAN

1996/97 to 1996/2000

Summary

The Dairy Board Act sets out the regulatory powers of the board to "control and regulate the sale of milk in Alberta".

Alberta has 1100 dairy producers. The gross value of raw milk is \$320 million annually. The dairy industry has a positive impact on the service industry. The sale of dairy animals contribute 8-10 percent of the overall Alberta beef industry. Alberta has 22 dairy processing plants, owned and operated by 13 companies. The wholesale value of processed dairy products total \$650 million, more than double the value of raw milk. All Alberta-produced milk is further processed in Alberta.

Board revenue is received as follows: 54% by producers, 27% by processors and 18% in the form of an Alberta Government grant.

Alberta is a member of the National Milk Marketing Plan and is represented at the Canadian Milk Supply Management Committee meetings by the Board Chairman and two industry representatives. Currently, Alberta is the third largest dairy province, holding 6.5% of the Canadian industrial milk quota. This represents a shortfall of production potential compared to our population.

Interprovincial trade barriers between Saskatchewan, Alberta and British Columbia were removed. Alberta-processed fluid milk is being sold in British Columbia and Saskatchewan. The Board has been instrumental in facilitating interprovincial trade.

Other organizations rely on the Board's audit function to verify data accuracy. The audit function also ensured accurate producer payment. Agencies such as Statistics Canada and the Canadian Dairy Commission use information provided by the Dairy Board, eliminating duplication and improving information gathering efficiency.

A provincial milk equalization payment system is operated by the Board. This procedure depends on a high level of cooperation between processors and the Board. Very tight time lines are maintained to equalize \$27 million in monthly payments between processors who, in turn, make payments to producers.

The Board provides the registry for all quota records in Alberta. The Board administers quota transfers that often involve lender security, assignment of producers to specific processors for payment, and collection of levies as the agent for the Canadian Dairy Commission.

Producers and processors also benefit from extension services offered by Board staff.

Foundation

Mandate

Ensure an adequate supply of safe quality dairy products are available to consumers at reasonable prices by ensuring that policies and services support a profitable, competitive market-driven Alberta dairy industry.

Roles and Responsibilities

The Alberta Dairy Control Board is in the business of agriculture and food industry development. Orderly application of matching production to consumer demand ensures a stable market and stable price. The Board acts as the industry referee by providing an appeal mechanism for producers, processors, consumers and government. Development of policies in consultation with industry fosters a competitive market-driven dairy industry and encourages value-added processing in Alberta.

Dairy farmers, processors, consumers, lending institutions, milk haulers, distributors, food retailers, provincial government departments, federal government departments and agencies and educational research institutions are clients of the Board.

Industry Needs and Opportunities

Alberta processors process 100 percent of the raw milk and cream produced in the province. The farm gate value is \$320 million, the wholesale value of processed dairy products exceeds \$650 million. Competitive forces within Canada challenge the industry to process products that are in higher consumer demand. Alberta has many natural advantages for expanded production and value-added processing.

Alberta producers are among the most efficient in Canada. Average herd size and production per cow is nearly the highest in the country, comparable only with British Columbia.

Alberta has a disproportionately smaller share of the National quota for industrial milk compared to our population. Moderate growth opportunities exist if we are successful in negotiating more market share quota for Alberta producers.

Processor efficiency suffers from lack of scale and increased distribution cost in comparison to Ontario and Quebec processors. We must encourage increased plant through-put and ensure processing and distribution costs are not unnecessarily increased by demands of government.

Producers benefit from an independent agency that has access to client confidential records to ensure accurate and timely payment.

The Board will continue to strive to simplify the quota administration and reduce cost to

industry.

Additional market opportunities exist for producers and processors. Increased market access has been negotiated under GATT. An Optional Export Program is now available for producers and processors without the constraints of the quota system. A system of pooling special class market returns will replace the majority of the levy system.

Programs and Services

The Dairy Control Board acts as the industry referee. Alberta is unique in Canada in that we have an operating structure that brings producers and processors together on a routine basis to discuss industry issues and make recommendations to the Dairy Control Board. By performing this role, we will minimize the conflict and turmoil experienced in other provinces.

The Board provides an appropriate appeal mechanism for producers, processors, consumers and government. With strong enabling legislation, the Board can provide services which limits unnecessary legal costs and court challenges.

Interprovincial trade is important to Alberta. The Board must assist in facilitating complete removal of all interprovincial trade barriers for milk and milk products.

To ensure accurate producer returns processor records are audited. Board staff provide technical assistance to producers and processors on payment procedures. In addition, the Board offers liaison with the Canadian Dairy Commission respecting payment, special class pooling and levy deductions.

A market-responsive dairy industry will be competitive. Deregulation that stimulates a more competitive market driven industry while providing an orderly transition period is a goal. The deregulation process must continue. Change can be managed to prevent short-term economic disruptions.

The board provides service to the industry by calculating producer payment through a price equalization pool.

The Board sets the farm gate price of industrial milk. In addition, the Board administers the producer price and the wholesale price of milk as set by the Energy and Utilities Board under authority of the Dairy Board Act.

Milk allocation to processors to achieve the highest possible producer returns from the highest value-added processing is a Board responsibility.

The Board is responsible for issuing fluid quota (liquid milk) and market share quota (industrial) to producers. As part of the service, the Board maintains a registry of licensed

producers, quota allotments, security documents on behalf of producers and lenders, collects data and supplies statistics to the Canadian Dairy Commission, Statistics Canada, Alberta government agencies and the dairy industry.

Regional pooling, quota movement and administration is a long term goal.

Measurable Results

Industry referee - all issues are addressed immediately, with courtesy and with widest possible input to arrive at a fair and reasonable resolution.

Appeal board - all appeals are received in writing and are reviewed by the Board at the earliest date the information is available. Personal appearances before the Board are available.

Interprovincial trade - all restrictions on the movement of milk or milk products out of Alberta have been removed. Processors pay the appropriate Alberta class price. Any processor who wants to move product in or out of Alberta receives complete cooperation providing accurate accounting for the product is maintained. Regional pooling, quota movement and administration is a long-term goal.

Audit - processor and producer records are examined in sufficient detail and any necessary adjustments are made to achieve accurate payment.

Deregulation - opportunities to further deregulate aspects of the dairy industry will be pursued. Preparing the industry for more global trade requires simplification of regulations.

Producer payment - all producers are accurately paid.

Milk pricing - adjustments are made to the price of industrial milk to provide adequate producer return and keep the Alberta further processing industry competitive.

Milk allocation - the cascading demand principle be implemented in a manner that generates the highest possible producer returns.

Quota administration - respond to market demand by allotting quota in sufficient quantities to bring about an adequate supply of fresh milk to meet consumer demand.

Operations

The Board is composed of five members appointed by the Lieutenant Governor in Council. Policy Committee made up of key industry and government personnel provides advice to the board on policy issues.

Alberta is a member of the National Milk Marketing plan; the Chairman of the Dairy Control board is one signatory. Through the Canadian Milk Supply Management Committee, the Board provides input to the Canadian Dairy Commission on policy matters affecting the Alberta dairy industry.

An administrative staff complement of 10 is employed to carry out Board policies and procedures. Staff expertise includes an auditor, business analyst, quota systems personnel, key punch and administrative support. In-house computer capability that maintains quota, and shipment data, receives and disperses electronic data with outside agencies with internet capabilities, will meet industry needs for several years.

Financial Plan

	1995/96	1996/97	1997/98	1998/99	1999/2000
	<u>Actual</u>	<u>Estimate</u>	<u>Projection</u>	<u>Projection</u>	<u>Projection</u>
	\$, 000	\$, 000	\$, 000	\$, 000	\$, 000
Expenditures:					
Government	0	0	0	0	0
Dairy Board	<u>766</u>	<u>1134</u>	<u>750</u>	<u>750</u>	<u>750</u>
Total Expenditures:	<u>766</u>	<u>1134</u>	<u>750</u>	<u>750</u>	<u>750</u>
Revenue:					
Government	162	139	139	139	139
Producers	424	659	418	418	418
Processors	<u>212</u>	<u>209</u>	<u>209</u>	<u>209</u>	<u>209</u>
Total Revenue:	<u>798</u>	<u>1007</u>	<u>766</u>	<u>766</u>	<u>766</u>

NOTE: A deficit budget for 1996/97 is financed from Board reserves to cover unexpected costs associated with an on-going investigation of producers and processors operating without licences and additional computer purchases associated with audit activities.

Implementation, Action or Work Plans

The Board must maintain an impartial, open approach that permits producers, processors, consumers and government to have issues reviewed and resolved in a cost effective manner.

Policies that encourage and capture growth opportunities must be developed. Maintaining and

increasing production and value-added processing is a priority. Assist organizations who are seeking markets beyond provincial boundaries.

Information gathering and data transfer must be accurate and timely. Statistics Canada, Agriculture Canada, Canadian Dairy Commission and Alberta Agriculture, Food and Rural Development depend on the integrity of the Board's data. Audit procedures are necessary to verify data for statistical uses, as well as accurate producer payment.

Deregulation process must continue to promote a competitive market-driven dairy industry. Short-term industry and price stability must not be sacrificed for the sake of deregulation and change. Supply management has proven to be an effective tool in ensuring consumers receive a quality product on a continual basis at stable prices. Industry investment in production and processing facilities is indicative of the stability brought about by supply management. Deregulation and Regulation rewrite is expected to be complete by December, 1996.

The Dairy Control Board is currently 82% industry financed. Complete self sufficiency is a reasonable longer-term goal, providing appropriate enabling legislation is in place. Consistency in terms of cost recovery compared to other agriculture sectors is a reasonable goal.

Calculation of producer payment through a price equalization pool is a key function of the Board. It is a reasonable goal to create a regional or western Canadian system.

Alberta is in a position to provide proactive leadership to the western Canadian dairy industry. Managing change is essential. Using the existing resources and expertise, the Board can service the needs of producers, processors, consumers and government in meeting future challenges.

A short term project aimed at bringing illegal milk producers and processors within the law is a priority. This will be a joint venture with the Canadian Dairy Commission, Agriculture Canada and Alberta Agriculture Food & Rural Development.

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